

Message Text

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ACTION ARA-10

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FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 9946

INFO AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY PANAMA

UNCLAS SAN SALVADOR 0046

GUATEMALA FOR ROCAP

E.O. 11652: N/A

TAGS: EFIN, EAID, ES

SUBJECT: CENTRAL GOVERNMENT BUDGET FOR 1976

SUMMARY: GOES GENERAL BUDGET FOR CY 1976 PROVIDES FOR AUSTERITY IN CURRENT EXPENDITURES AND APPARENTLY SMALLER INCREASE IN CAPITAL EXPENDITURES THAN PROGRAMMED FOR 1975. COMPLETE ANALYSIS MUST AWAIT BREAKDOWN, INCLUDING FIGURES ON ALL AUTONOMOUS AGENCIES, NOT CURRENTLY AVAILABLE. MUCH OF CURRENT EXPENDITURES INCREASES WILL BE ACCOUNTED FOR BY SALARY INCREASES OF CENTRAL GOVERNMENT EMPLOYEES. END SUMMARY.

1. CALENDAR YEAR 1976 BUDGET FOR THE CENTRAL GOVERNMENT INCLUDING CURRENT AND CAPITAL TRANSFERS TO AUTONOMOUS AGENCIES, AS WELL AS THE SALARY INCREASES WERE PASSED BY THE LEGISLATIVE ASSEMBLY ON DECEMBER 18, AFTER LESS THAN TWO WEEKS OF DEBATE. 1976 BUDGET OF 845,176,720 COLONES (338 MILLION DOLLARS) CONTINUES AUSTERE TREND OF 1975, WITH AUGMENTATION OVER INITIAL 1975 BUDGET OF 24.5 PERCENT OR 166.4 MILLION COLONES. NEW SALARY RATES WILL DIRECTLY ABSORB 60 MILLION COLONES OR 36 PERCENT OF BUDGET

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RISE. WHEN NEW SALARY COSTS ARE FACTORED OUT OF BUDGET, INCREASE

WOULD BE ONLY 15.7 PERCENT WHICH SHOULD BE SUFFICIENT TO COVER PRICE INCREASES FOR GOODS AND SERVICES, BUT NOT ENOUGH TO PROVIDE FOR ANY GROWTH IN ACTIVITIES.

2. WHILE COMPLETE BUDGET HAS NOT YET BEEN RELEASED, FOLLOWING IS SUMMARY OF GOES EXPENDITURES AND INCOME PROGRAMMED FOR 1976 (ALL FIGURES IN COLONES). CURRENT EXPENDITURES AT 606,241,500 ARE UP 23 PERCENT, WHILE THE CAPITAL PORTION OF BUDGET AT 238,953,220 IS UP 28 PERCENT. THE 415,233,200 OPERATING BUDGET (CURRENT EXPENDITURES MINUS CURRENT TRANSFERS AND DEBT AMORTIZATION) REPRESENTS AN INCREASE OVER 1975 OR ONLY .6 PERCENT OR 2.8 MILLION. CONSIDERING THE 60 MILLION ADDITIONAL NEEDED TO FINANCE NEW SALARY RATES, 1976 WILL CLEARLY BE A BELT TIGHTENING YEAR IN DAILY OPERATIONS OF GOES. GOES ANTICIPATES CURRENT INCOME OF 620.5 MILLION, A 30 PERCENT JUMP FROM 1975, AND CAPITAL INCOME OF 154.6 MILLION, DOWN 12.6 PERCENT FROM 1975. CURRENT SURPLUS IN 1975 WAS 70 MILLION COLONES.

3. THE 1976 BUDGET'S PRINCIPAL ALLOCATIONS (BOTH CURRENT AND CAPITAL), CHANGES FROM 1975 AND PERCENT OF TOTAL ARE AS FOLLOWS. (MILLIONS OF COLONES)

MINISTRY	ALLOCATION	PERCENT INCREASE	PERCENT OF TOTAL
A) EDUCATION	216.3	PLUS 35.4	25.6
B) PUBLIC WORKS	120.5	PLUS 49.5	14.2
C) PUBLIC HEALTH AND SOCIAL SERVICES	104.1	PLUS 26.4	12.3
D) AGRICULTURE AND LIVESTOCK	84.0	PLUS 8.1	9.9
E) ECONOMY	52.2	MINUS 4.7	6.2
F) DEFENSE AND PUBLIC SECURITY	60.5	PLUS 27.4	7.2

COMMENTS: A) THE EDUCATION BUDGET UP 35.4 PERCENT MORE THAN DOUBLED ITS 1975 INCREASE OF 14.2 PERCENT, BUT STILL FALLS SHORT OF ITS PREVIOUSLY HELD (1972) PEAK 30 PERCENT OF TOTAL BUDGET. WHILE 1975 WAS A WEAK YEAR FOR THE EDUCATION BUDGET, THE REAL RELATIVE GAIN IN THIS SECTOR'S SHARE OF THE 1976 PIE REINFORCES THE GOVERNMENT'S COMMITMENT TO EDUCATION AS A KEY FACTOR IN ECONOMIC DEVELOPMENT. B) PUBLIC WORKS REGISTERED THE LARGEST GAIN, INCREASING ITS SHARE OF THE TOTAL FROM 11.9 PERCENT IN 1975 TO 14.2 PERCENT FOR 1976 AND ILLUSTRATING STRONG EMPHASIS PLACED BY THE GOES ON THE PUBLIC SECTOR AS LEADING FORCE IN UNCLASSIFIED

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ECONOMIC GROWTH. FOR 1976 THE PUBLIC WORKS SECTOR HAS REPLACED HEALTH AS THE SECOND LARGEST RECIPIENT OF GOVERNMENT RESOURCES. (C) THE RISE IN THE HEALTH SECTOR BUDGET, WHICH IS SLIGHTLY ABOVE OVERALL INCREASE LEAVES THE PERCENTAGE SHARE OF THIS AREA VIRTUALLY UNCHANGED. D) ALLOCATIONS TO AGRICULTURE AND LIVESTOCK, AFTER A HEALTHY 84.1 PERCENT INCREASE IN 1975 BUDGET, WILL GO UP ONLY 8.1 PERCENT IN 1976. THIS DRASTIC REDUCTION, HOWEVER, IS PROBABLY MORE A RESULT OF THE SPLINTERING

OFF OF SOME LARGE MINISTRY ACTIVITIES INTO AUTONOMOUS AGENCIES, THAN A REDUCTION IN EMPHASIS. THE BUDGET FOR THE AUTONOMOUS AGENCIES HAVE NOT HET BEEN RELEASED. E) ECONOMY SHOWED THE ONLY ACTUAL BUDGET DECREASE. SINCE A MAJOR PORTION OF THE ECONOMY BUDGET GOES INTO AUTONOMOUS AGENCIES, IT IS NOT YET POSSIBLE TO DETERMINE WHERE THE DECREASE OCCURRED. F) AFTER AN INCREASE OF ONLY 7.5 PERCENT, IN 1975 DEFENSE AND PUBLIC SECURITY ARE UP 27.4 PERCENT IN 1976 OR ROUGHLY EQUAL TO THE OVERALL BUDGET INCREASE. THEIS SECTOR'S PERCENT SHARE IS DOWN FROM THE 8 PERCENT OF TOTAL BUDGET ALLOCATIONS IT ENJOYED IN 1974.

4. MAJOR CAPITAL EXPENDITURES PROGRAMMED FOR 1976, WITH PERCENT OF TOTAL CAPITAL EXPENDITURES, ARE AS FOLLOWS. (MILLIONS OF COLONES).

SECTOR	CAPITAL EXPENDITURES	PERCENT OF TOTAL CAPITAL EXPENDITURES
PUBLIC WORKS	73.6	30.8
AGRICULTURE	40.1	16.8
EDUCATION	35.7	14.9
ECONOMY	32.9	13.8
HEALTH	22.5	9.4

COMMENT: CONSIDERING INFLATION, THE 28 PERCENT INCREASE IN THE CAPITAL BUDGET IS NOT IMPRESSIVE. GIVEN, HOWEVER, THE AUSTERE NATURE OF THE OVERALL BUDGET, PARTICULARLY IN THE OPERATION'S AREA, IT APPEARS THAT THE GOES HAS DECIDED TO CONTINUE ITS EFFORTS TO USE PUBLIC SPENDING AS A SUPPORT FOR ECONOMIC GROWTH EVEN AT THE EXPENSE OF ITS DAY TO DAY OPERATIONS. FULL ANALYSIS OF GOVERNMENT INVESTMENT MUST AWAIT COMPLETE INFORMATION ON BUDGETS OF AUTONOMOUS AGENCIES. CAMPBELL

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